



# Southeastern Electric Cooperative, Inc.

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September 8 2003

Mr. Robert Harris, Regional Manager  
Upper Great Plains Region  
Western Area Power Administration  
2900 - 4<sup>th</sup> Avenue North  
Billings, MT 59101-1266

Dear Mr. Harris:

Southeastern Electric Cooperative, Inc. (Southeastern) is an electric cooperative serving almost 10,000 meters in the fastest growing area in southeastern South Dakota. We receive our power supply from East River Electric Power Cooperative, Inc. (East River) out of Madison, South Dakota. Southeastern through East River is a major purchaser of firm federal hydropower and relies on that bulk resource to provide wholesale service to Southeastern and East River's 20 other rural electric cooperative members and one municipal electric system in eastern South Dakota and western Minnesota. Collectively, the 22 retail distribution systems that receive wholesale power from East River serve over 80,000 residential, commercial, and industrial accounts affecting approximately 250,000 persons.

Please accept this letter as Southeastern's comments for the record on the proposed rate increase for Pick Sloan Missouri Basin Program Firm Power Customers published in the Federal Register on June 13, 2003.

With respect to the proposed rate increase, Southeastern offers the following comments.

1. **Implementation:** Based on the fact that we will need to have a rate change we would urge Western to implement the proposed rate adjustment using the 'two step' option. Based on the information described by Western in its June 13, 2003, Federal Register Notice, the 'two step' option generates revenue adequate to meet the federal obligations as required by law. Accordingly, in view of the substantial increase being proposed, we believe that a phased approach provides some moderation in the first year relating to the impacts of the increase and should be the preferred implementing method.
2. **Tiered-60% Load Factor:** East River has highlighted their concerns with us relating to the 114% proposed increase to the portion of monthly energy over

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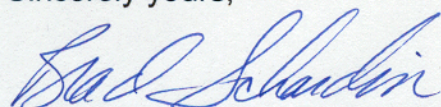


60% load factor. Such a large increase is a substantial rate shock for all of us. We believe Western would be prudent to re-examine the basis for imposing the tiered rate in view of the substantial use among customers. East River noted to us that there are many features within Western's operation which are 'pooled' for ratemaking purposes rather than singled out for special rate treatment, as is the case with the tiered rate feature. Accordingly, we object to the substantial increase in the tiered rate as proposed and believe it should be re-examined. If Western elects to institute the tiered rate as proposed, we believe full attention should be given to both the philosophy of singling out this cost for special rate treatment and, if it is continued, the method by which it is structured should be considered before any future rate adjustment is offered.

3. **Irrigation Wheeling:** East River also reviewed with us the administrative determination by the U.S. Bureau of Reclamation that has shifted off-system wheeling costs for federal irrigation projects to an obligation of firm power customers. Southeastern believes that this is wrong and that this decision exceeds the authority of the Bureau of Reclamation and Western to incorporate what is now over one-half million dollars of annual costs for which neither the Bureau nor Western has any control. We would request Western implement the same practice that applies to firm customers which secure wheeling from third parties. It appears that such a method would appropriately recognize the responsibility of the customer (in this case irrigation projects) to secure and be responsible for wheeling costs. For Western's firm power customers, it would establish a defined obligation which is subject to rate recovery. We strongly urge Western to implement such a method as part of this rate increase proposal.

Southeastern greatly appreciates the opportunity to submit our comments in relation to the information provided to us from our power supplier, East River. We strongly support the federal power program and are very confident in Western's capabilities to serve East River, Southeastern and therefore our members today and into the future. East River has indicated that this rate change will impact our wholesale rate from them about 20% and imposes significantly unequal results among Western's customers. While we recognize that a substantial portion of this increase is driven by drought conditions, we note the substantial level of this increase and the impact it imposes on Southeastern through our power supplier, East River. Accordingly, we encourage Western to carefully examine all aspects of this proposal and seek means to moderate the substantial impact it will have on our members.

Sincerely yours,



Bradley J. Schardin  
General Manager